

Inflection Point

The Challenges Facing Latin America and U.S. Policy in the Region

By P. Michael McKinley

A little more than two years ago, there was cautious **optimism** that Washington's relationship with Latin America could be transformed with the inauguration of the Biden administration. In much of the region, there was the hope that an emerging "pink tide" of left-wing governments could respond to the challenges of recovering from the social, political, and economic impact of the Covid-19 pandemic. The juncture seemed all the more defining in the context of the radically changing dynamics of global geopolitics and the world economy.

The moment never quite arrived. Developments globally, inside Latin America, and in the United States have blown past the promise of early 2021.

The current political reality in Latin America is more fluid, complex, and challenging than ever—and it remains unclear if the region will fully embrace the significant potential that exists for economic transformation and deeper integration into world markets. The relationship between the United States and many countries appears to be growing more distant as Washington deals with pressing national and other global priorities and Latin American governments are consumed by domestic challenges and actively pursue multi-alignment.

These trend lines can be examined under three broad headings: developments inside the region, Latin America's evolving relationship with the global economy, and the state of U.S. ties in the region. In doing so, the political and economic crossroads facing the region become more evident—as do the challenges to deepening hemispheric ties in the near term.

Introduction: The Promise of Change Meets Reality

The outgoing Trump administration's nationalistic focus had deepened long-standing questions about whether Latin America would ever be more than an afterthought to other policy priorities for the United

States. In the region itself, years of slow growth, rising corruption, the emergence of illiberal democracies, growing inequalities, and the ravages of the Covid-19 pandemic raised questions about the ability of democracy to deliver. **Predictions of** a coming lost decade of growth in Latin America were widespread.

There were, however, significant changes underway in 2021 that offered new opportunities to the region and the United States. The deficiencies of global supply chains lent greater urgency to the debate over nearshoring production in Latin America. The region's rainforests, renewable and hydrocarbon energy resources, and its supplies of critical minerals were taking on greater significance, with climate change back on the agenda for Washington and major investments in energy transition underway across the world. An accelerating technological revolution was taking off in Latin America, and there was talk of revitalizing international financial institutions to include the Inter-American Development Bank (IDB).

With the growing trend of regionalization, prospects for greater integration in the hemisphere also appeared to be improving. Countries were recovering more rapidly from the ravages of the pandemic than predicted, and new governments were focused on internal transformations to promote social justice and the modernization of their economies.

Additionally, the inauguration of President Biden in January 2021 promised a U.S. administration with a stated intent to deal with the region as a partner, and a willingness to engage with the new leaders of Latin America. The shift recognized reality: left-wing governments elected across 2020 and 2021 in Peru, Chile, Bolivia, and Honduras consolidated the pronounced political shift that began with the victories of Andrés Manuel López Obrador in Mexico and Alberto Fernández in Argentina in 2018 and 2019. They would be joined in 2022 by Gustavo Petro in Colombia and Luiz Inácio Lula da Silva in Brazil.

The stage seemed set for the region, and for its relations with the United States, to undergo renewal—withstanding the quiet anxiety many longtime Latin Americanists had about failed such efforts in the past.

Things did not develop quite as anticipated. The election of left-of-center governments did not lead to the transformations that many Latin American voters expected. Regional politics resisted easy generalizations, with implications for reforms, economies, and governance.

In the United States, the conflict in Ukraine, concerns about China, and major domestic initiatives like the Inflation Reduction Act consumed policy time and resources. As CIA director William Burns **recently** noted, “priorities aren’t real unless budgets follow them.” The FY 2023 request for the region **was \$2.4 billion**, compared to **\$75 billion** for Ukraine in a little over a year—a stark contrast even considering the demands of the conflict in Europe. The partial relegation of other foreign policy priorities was inevitable, but in the case of Latin America, it was compounded by a largely skeptical Washington view of the region's new governments, and domestic concerns about the surge of irregular migrants distracted from advancing a more innovative hemispheric agenda.

A May 2008 Council of Foreign Relations **report** stated that “the era of the United States as the dominant influence in Latin America is over.” Countries “have expanded relations with others, including China” and “US attention has also focused elsewhere.” The corollary: “a region shaping its future far more than it shaped its past.”

These conclusions would not be out of place today; the context, however, is profoundly different.

Politics in the Region: Continuities and New Dynamics

In understanding how Latin America and the United States arrived at this point, it is important to avoid succumbing to the tendency of looking at the “pink tide” in Latin American politics as a challenge to democracy and U.S. goals in the region.

The pendulum swing leftward is part of the natural order of democracies, rather than an anomaly or threat. Just four years ago, Mexico, Brazil, Argentina, Peru, Chile, and Colombia were led by right-of-center governments. They in turn were the product of a voter backlash that led to the ouster of the largely left-of-center governments that prevailed in the 2000s but had lost their luster and direction in the 2010s.

It is not surprising, therefore, that leftist governments won power across much of Latin America after a decade of economic decline and the impact of the Covid-19 pandemic. In 2020, former IDB president Luis Alberto Moreno **wrote that** the region was shrinking economically more than any other part of the world, with tens of millions of people returning to poverty-level existences. It was thought that it would take a decade to return to pre-pandemic levels of GDP. With 8 percent of the world’s population, Latin America suffered more than 30 percent of global deaths from Covid-19.

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What may be more surprising is that, so far, the new governments have not resulted in a more radicalized political environment. The reason may be that the reality of the region is unusually challenging, fragmented, and hesitant. **An analysis** of the political moment by Jorge Castaneda suggests as much, as he examines the often-contradictory manifestations of left-wing leadership in Latin America—which, over the past 20 years, has included both social democrats and authoritarians. A commodity boom fueled the first wave of left-wing governments led by Hugo Chávez in Venezuela, Lula in Brazil, and Cristina Fernández de Kirchner in Argentina. Their successors face a much tougher political and economic landscape, and they do not have clear-cut electoral mandates for more radical governance.

Most of the new left-wing governments were elected by the slimmest of margins by polarized electorates. In Brazil, the difference **was less** than 2 percent of the vote, with more than 120 million votes cast in an 80 percent turnout of the electorate. In fact, right-of-center congressional opponents of President Lula won a majority in the legislature and control of powerful state governments, and they are also **blocking** parts of his agenda.

In Chile, an initially popular leftist government led by Gabriel Boric does not have a clear legislative majority and saw radical constitutional proposals **rejected** by more than 60 percent of Chilean voters. In Peru, an attempt at a **coup** by the leftist president Pedro Castillo, who won **with less** than a 1 percent margin of votes in a second-round election, led to his constitutional ouster by a congress dominated by the opposition. In Colombia, President Petro’s redistributionist tax and development policies have had to be slimmed down or placed **on hold** because of a congress and courts his supporters do not control

and now a **brewing scandal** over how his electoral campaign was financed. In Mexico, while López Obrador continues to be extremely popular, he has been **blocked** on initiatives seen as undermining the independence of the judicial system, the electoral college, and the Central Bank.

Economic constraints on the new governments play into the mix. In Argentina, the Fernández government is struggling with an inflation rate of **100 percent**, as it negotiates with the International Monetary Fund (IMF) and, as the August 13 primaries **demonstrated**, populist and conservative opponents grow in popularity in the run-up to the presidential contest this year. Meanwhile, Chile's **economy** is on a slow-growth trajectory.

Almost all of the region's new governments, moreover, have chosen to maintain orthodox macroeconomic policies, fighting inflation and bringing down the budget deficits resulting from outsized expenditures during the pandemic—even as they pursue more nationalist policies in sectors like mining and energy.

Despite having been elected with ambitious reform agendas, the region's left-wing governments are also having to spend more time and resources on traditional citizen security concerns, which cut across political divides—and undermine their support. The efforts by governments in **Mexico** and **Colombia** to, in effect, open negotiations with cartels have not reduced criminality and have created a broader sense of legal impunity. On the right, the **draconian steps** taken by President Bukele in El Salvador, which have led to an over 50 percent decline in murders at the expense of throwing over 60,000 people in prison—many without due process—are popular. In Honduras, the leftist government of **Xiomara Castro** is looking to imitate Bukele's crime fighting tactics. So are **other** Latin American politicians in Colombia and Argentina. Separately, the migration of more than six million people from Venezuela and a growing exodus from Nicaragua are creating challenges for neighboring governments of left and right.

It is worth repeating that the region's governments remain more differentiated than the term “pink tide” suggests. There are centrist, populist, and center-right governments in Uruguay, Paraguay, Ecuador, Panama, Costa Rica, Guatemala, El Salvador, and the Dominican Republic—although a leftward swing in Ecuador and Guatemala is possible this year.

While historically influential in Latin America, the authoritarian regimes in Cuba, Nicaragua, and Venezuela now find themselves as outliers, economically depressed, and with little political sway. Repression in Nicaragua continues to worsen, recently including attacks on **the Catholic Church**. In Venezuela, **the June 29** decision to prevent the leading opposition figure, María Corina Machado, from contesting presidential elections next year demonstrates how misplaced the hope was that the Nicolás Maduro government would moderate as it was welcomed back into the regional fold and sanctions were eased.

A broader democratic fragility in the region is worth tracking, including a growing fragmentation of politics as traditional parties fade and populist alternatives emerge on both the left and right. As the respected **Latinobarómetro** indicates, there are also low levels of confidence in democracy in Latin America. Despite this, the region remains ranked among the three **most democratic** globally, with a (perhaps unexpected) resiliency of democratic process and of many civic and political institutions in key countries.

There are nonetheless active challenges to democratic governance. In Peru, former president Castillo attempted an **unconstitutional coup** in December 2022, and the current president is the sixth in as

many years. In Mexico, there are concerns that López Obrador is seeking to **consolidate** presidential power at the expense of other institutions. President Bukele's success in El Salvador is seen as **undermining** democracy, and Guatemala **disqualified** left-wing presidential candidates in the run-up to presidential elections on June 25, 2023. In Guatemala, and not before further efforts to constrain him, the opposition challenger, Bernardo Arévalo, did go on to victory in the **run-off** on August 20.

The January 8, 2023, **assault** on Brazil's presidential palace, congress, and supreme court by supporters of former president Bolsonaro stands on its own. It was widely seen as a sign that democracy was under siege in that country—although in the aftermath, its institutions held up, with even Bolsonaro's congressional supporters endorsing the validity of Lula's victory in the 2022 elections (unlike the 147 members of the U.S. Congress who voted against certifying President Biden on January 6, 2021). On June 29, moreover, Bolsonaro **was banned** from seeking elective office for eight years because of his efforts to undermine the electoral process. A recent **article** suggests "Brazil feels almost normal again."

At the time of writing, it remains unclear whether left-wing governments in Latin America will come up with a mid-course correction to answer the challenges they are grappling with before they face voters again in elections. If not, their staying power may be more limited than that of their predecessors in the first decade of the century.

Latin American Economies Today: The Opportunities Are There

It is something of a paradox that such a challenging political and social environment has not been a greater drag on Latin American economies. By the end of 2021, GDP in over half of the countries **exceeded** pre-pandemic levels. In 2022, the **regional** growth rate was 3.8 to 4 percent, higher than **sub-Saharan Africa, North America, China, and Europe**. Projections for growth in 2023 are already being revised **upwards**.

Moreover, the region may be on the verge of renewed importance to the global economy in the context of renewed demand from China, shifting supply chains, and the war in Ukraine. Ilan Goldfajn, the IDB president, **has outlined** three economic areas where Latin America can be a world player: energy, the environment, and food production. As *The Economist* has **recently** noted, "Latin America could become this century's commodity superpower," if it seizes the opportunity before it.

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The idea that Latin America is an isolated global economic backwater at risk of predatory trading partners has been misplaced for some time. Brazil and Mexico are among the world's 15 largest economies; Argentina is among the 30 largest.

In the past 15 to 20 years, moreover, large parts of Latin America have forged trade agreements with the European Union, or with Japan and Korea through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)—the successor to the Trans-Pacific Partnership that the United States rejected. There are bilateral and sub-regional agreements among countries (**the Pacific Alliance**, a

more informal **arrangement** agreed to by Costa Rica, Panama, and the Dominican Republic to take advantage of nearshoring opportunities, and Mercosur among the Southern Cone countries). Taken as a totality, the region is substantially more connected to the broader world than ever before.

And then there is China. Twenty-one Latin American countries have **signed on** to China's Belt and Road Initiative, and countries like Chile, Costa Rica, Ecuador, and Peru have formalized **free trade** agreements with China. U.S. firms may not be rushing to nearshore in Mexico, but Chinese firms supplying the U.S. market are. Chinese investments in regional infrastructure projects **fill a gap** that U.S. companies presently do not.

Moreover, except for the cautionary tale of Ecuador's billions **in borrowing** from China, debt entrapment is not a real concern for the region's democracies: new sovereign debt lending by China to the region has all but disappeared since 2015. More generally, China has become South America's major trading partner, reflecting global trends; over **120 countries** have China as their leading commercial market. Most Latin American countries see the relationship as transactional rather than a strategic pivot.

The region's economic ties with China are likely to strengthen in coming years in response to the economic rationales followed by the rest of the world. The August 22-24 summit of the BRICS economic grouping made up of Brazil, South Africa, India, China, and Russia, agreed to invite additional countries to join, including Argentina. The **expansion** was widely interpreted as a victory for China's efforts to expand its global influence.

It is nonetheless striking the extent to which neither left- nor right-of-center governments have generated the growth policies and economic reforms necessary to raise living standards more quickly and reduce inequalities. In 2012, East Asia had **roughly equal** per capita incomes to Latin America, as measured by purchasing power parity. Today, East Asia is 40 percent ahead. Wealth concentration at the top of the pyramid is **one concern**, but so is the fact that the bottom 50 percent of people in Latin America **are poorer** than their counterparts elsewhere.

Regional governments could do worse than look at the emerging opportunities globally for solutions to their middle-income trap, as these are multiplying.

First is the promise offered by adapting to the world's diversifying supply chains. Everywhere, from South and East Asia to Europe and the Middle East, there is a renewed sense of urgency about building resiliency and capacity. Some countries in Latin America are **well placed** to develop policies to attract foreign investment and production facilities to supply North American, regional, and global markets. Mexico **could emerge** as a significant producer of semiconductors with a clearer investment strategy.

Second, South America is an important source of the inputs needed for the new energy economy. **It contains** 40 percent of the world's copper reserves, 35 to 40 percent of lithium reserves, and significant deposits of nickel, cobalt, and other critical minerals. Chile is already the world's second-largest producer of lithium, and there is international investor interest to develop critical mineral resources more broadly.

Additionally, Latin America has an exceptionally low carbon footprint, with the world's highest reliance on renewables for energy generation. There are significant investments and government commitments

to deepen that capacity, aiming to include—as **in Chile**—the production of green hydrogen for export. Countries like Brazil, Argentina, **Mexico**, and Colombia have or can also develop greater natural gas exports as the world economy transitions to cleaner energy. There are forecasts of **a new energy** boom in Latin America. As much of the world looks to lessen dependency on Russian oil, hydrocarbon production in the region will remain of strong interest for the foreseeable future.

Third, the war in Ukraine has underscored the fragility of world grain markets and the food industry supply chain. The stimulus of additional world demand offers significant opportunities for Latin America. Brazil is one of the most advanced agro-industrial producers, and the region as a whole is already the world's largest net food-exporting area; by 2030, it is expected to account **for 18 percent** of global food exports, to include grains, meat, poultry, fish, and fruits.

Fourth, South America is key to fighting rising greenhouse gas emissions worldwide by protecting the Amazon rainforest and widely distributed watersheds. **Colombia** and **Brazil** are successfully reducing deforestation after years of losses. The appropriate level of investment in green transformation, climate mitigation, and forest protection and preservation could dramatically impact global warming and regional economic growth—if **the \$100 billion** a year promised by developed countries for fighting climate change in emerging markets materializes. Regional countries met in Belém, Brazil, on **August 8-9** to call for greater international assistance with their efforts to fight climate change.

Fifth, Latin America has a more developed service sector than is sometimes realized abroad, with major **e-finance and e-commerce** companies and governments interested in modernizing their telecommunications and digital infrastructure as well as roads, railways, ports, and airports. These initiatives could be worth **hundreds of billions** of dollars, generating business for the private sector and greater employment for an increasingly better-educated workforce.

Foreign investors are noticing and moving toward countries where macroeconomic management is stable. Last year was a banner year for foreign direct investment in the region, at more than \$220 billion. Brazil led the pack with more **than \$90 billion**, but Mexico attracted \$45 billion, and Argentina and Colombia also benefited. Brazil's **radical overhaul** this July of its tax structure, long considered one of the most cumbersome globally, should attract **even greater** flows. While minor compared to total U.S. investment, Chinese companies are also **pouring billions** into Mexico.

The European Union is revamping its engagement with the region, **with Spain**—which assumed the EU presidency on July 1—**promising 10 billion** euros of investment. At the July 17 and 18 EU-hosted summit in Brussels with Latin American leaders, **45 billion** euros of potential investment were announced, and there is hope that the long-stalled EU-Mercosur agreement will be concluded this year. German chancellor Olaf Scholz's **January 2023 visit** to Brazil, Argentina, and Chile concentrated on renewable energy and lithium production.

As for the United States' relationship with Mexico, despite the many irritants in the bilateral relationship, the United States-Mexico-Canada Agreement (USMCA) is promising transformations, as the **significant work** by Ambassador Earl Anthony Wayne points out. The **revamped trade agreement** has “boosted government-to-government engagement” and, critically, “the three governments recognize that USMCA alone does not provide sufficient support for needed economic collaboration given the breadth of North America's economic interconnection and the tough global competition.”

The Catch

There is a catch to this promising landscape: the historical ambivalence of Latin American governments toward the private sector and the market-based reforms needed to modernize their economies. The prospects for a change of heart now are not as clear-cut as they should be.

Two analyses in *The Economist* and the *Financial Times* help explain why. Chile, for example, is lagging in providing incentives and guarantees for foreign investment in the lithium sector. Mexico's president shut down the country's investment promotion agency and has attacked the independence of the country's respected central bank. Colombia's president has announced that there will be no further development of the hydrocarbon energy that provides his government with the bulk of its revenues. In Argentina, continuing economic **mismanagement** may plunge the country into deeper crisis. And in Peru, local communities block further mining investments at a moment of rising global demand for the minerals the country produces. Regional economic integration remains **more aspirational** than real.

Part of the explanation lies in the legacy of left-wing ideology, which holds sway politically in Latin America unlike anywhere else in the world. As *The Economist* highlights, "What do these left-wing governments want to do? Broadly, they want bigger government, with more state-owned firms, higher spending, and a greater degree of intervention in the market. They all want to reduce inequality through higher taxes on the rich, bigger welfare systems and more state-funded health care."

These social objectives would not be out of place in debates on economic policy in much of the world, but it is still necessary to develop policies that can generate the growth to pay for these ambitions. On that score, regional governments could do more. As Shannon O'Neill **points out**, the global opportunities will not wait forever. Southeast Asia, for instance, is aggressively integrating into new global supply chains in contrast to Latin America. IDB president Goldfajn **puts it** succinctly: "The region confronts a crossroads that will mark its future." (Author's translation.) It remains unclear whether Latin American leaders, consumed as many are by domestic challenges, will seize the moment before it ebbs away.

Implications for U.S. Policy in the Region: Some Progress

The implications of shifting realities in Latin America and globally are significant for U.S. ties to the region. Responding to the challenges and opportunities is another matter.

The region has tended to be on the backburner in U.S. policy calculations outside the prism of the Cold War. After a flurry of initiatives in the 1990s and 2000s, that policy went into a reactive mode. The assumption was that democracy in general would hold; that U.S. preeminence would be sustained; and that those problems that impacted the United States more directly, like irregular migration and drug trafficking, could be managed. As Venezuela and Nicaragua became increasingly undemocratic through the 2010s, and with the exception of opening to Havana under the Obama administration, there was a genuine concern about the fate of hemispheric democracy but also echoes of past Cold War worries about "socialist" states with ties to Russia, Iran, and China.

As noted earlier, the Biden administration came in determined to change the way the United States dealt with Latin America. There was hope that it might succeed: Jorge Castañeda's **op-ed** "Biden can Inspire Latin America" in 2021 is a case in point. There was no more talk of reviving the Monroe

Doctrine, as former national security advisor **John Bolton** had suggested during the Trump presidency. The approach to the region would be **in terms** of “a hemisphere that was secure, middle class and democratic.” Better coordination with the region also offered opportunities to address global U.S. concerns like climate change, supply chains, and the new green economy.

The administration’s proposals for reengagement in the region were presented at the Summit of the Americas hosted by President Biden in June 2022, the first time since the inaugural summit in 1994 that the gathering of hemispheric leaders had taken place on U.S. soil. While it faced threatened and actual boycotts by regional leaders because of the U.S. decision to exclude Cuba, the topline results pointed in a positive new direction for regional ties.

There was talk **about uniting** “in a moment when democracy is under assault around the world.” More novel was the emphasis on post-pandemic challenges, with **leaders approving** “political commitments related to health, climate change, clean energy, digital transformation, and democratic governance.” The agreement with some countries on migration was also breakthrough: until then, the issue had seemed to be largely a U.S. preoccupation.

Skeptics wondered whether these initiatives could be fleshed out. It is legitimate to ask the extent to which there has been follow-through over the past year.

In brief, there has **been progress**. Vice President Harris’ June 2023 attendance at the U.S.-Caribbean leaders’ summit in the Bahamas committed **new funding** (\$100 million) to energy resiliency, humanitarian assistance, and food security. A summit of Latin American and U.S. cities **took place** in April 2023 in Denver. The Americas Partnership for Economic Prosperity (APEP) had an **initial meeting** hosted by Secretary Antony Blinken and U.S. Trade Representative Katherine Tai to discuss growth strategies with the 11 countries who support the initiative. **Hundreds of millions** of dollars have been programmed for Central America to address migration. Work on deepening the USMCA has **continued** with a **ministerial** meeting on July 13.

The Biden administration has also been supportive of **Ecuador** and **Argentina** in negotiating IMF agreements to refinance their international debt. It played **a helpful diplomatic** role in supporting the Brazilian electoral process of 2022, as well as in the aftermath of President Castillo’s ouster in Peru. In Colombia, the **United States is working** constructively with President Petro to sustain the strong ties between the two countries. There is greater cooperation regionally **on migration**. General Laura Richardson, who leads Southern Command, has pursued opportunities to deepen defense and security operations in the region, as well as to **contain** Chinese **military expansion**.

U.S. Constraints on Regional Policy . . .

The challenges to transforming hemispheric relations, however, remain significant for both Latin America and the United States.

First, as mentioned before, the immigration crisis on U.S. borders overshadows much of the other substantive engagement with countries in Latin America. **The irony** of former president Trump’s “Remain in Mexico” policy continuing in all but name is not lost on either side of the border. Close partners of the United States **like Costa Rica** and **Colombia** are being asked to take on more

responsibilities to help quell the flow of migrants to the U.S. border—with less-than-expected financial assistance from Washington as **was made** clear during the August 29 visit to the White House of Costa Rica’s president. Within the region, many see it as the principal issue Washington is concerned about, because of domestic political pressures.

Second, polarization in Washington, the spillover of geopolitical tensions from Russia’s invasion of Ukraine, and the increasing friction between China and the United States make it easy to frame influence in Latin America as an either/or proposition instead of accepting the complexity of a still globalized world. This approach, as mentioned before, will not work in the region, which leans increasingly toward **multi-alignment**.

Third, there is an undercurrent **in part of** Washington that frames the survival of left-wing dictators in Cuba, Nicaragua, and Venezuela as symptomatic of what could develop elsewhere in Latin America. There has not been a full return to President Obama’s relaxation of policy on Cuba. Again, the optic is misplaced. It introduces mistrust in U.S. engagements with regional capitals led by left-wing leaders who are democratically elected. The region also sees the United States maintain ties with repressive governments elsewhere in the world. Continuing to cast the hemisphere as an autocracy versus democracy struggle is losing the United States important opportunities for influence in the region.

Fourth, there are real limitations on the Biden administration’s ability to provide meaningful assistance and policy attention to Latin America. Ukraine is the existential national security issue of our time, making an outsized demand on resources. Domestically, the transformational Inflation Reduction Act and CHIPS and Science Act require a whole-of-government commitment. The implications for foreign policy are evident. National Security Advisor Sullivan’s consequential **April 27 speech** on the U.S. economy and the world made it clear that the administration’s priority is “to more deeply integrate domestic policy and foreign policy.”

There are consequences, however. The budget for assistance to the region, as previously stated, **is under \$3 billion**. There has been no replenishment of multilateral organizations to help transform Latin American economies or to provide game-changing levels of investment for climate change. There is no sustained high-level dialogue on what nearshoring can mean. There is no money for expanding people-to-people ties. The battle to influence the next generation of Latin American leaders is consequently being lost. Almost half a million students from China and India studied in the United States in 2021-2022, compared **to fewer** than 15,000 each from Mexico and Brazil.

Fifth, U.S. trade policy globally is now more inward-looking and protectionist, as **Robert Zoellick** and others have pointed out and as Sullivan reiterated in his speech. That means there is unlikely to be a positive response to requests for free trade agreements from countries like Uruguay and Ecuador. Washington’s response to the new initiative of the Dominican Republic, Panama, and Costa Rica to position themselves as an integrated part of supply chains in North America is still **at initial** stages. The Americas Partnership for Economic Prosperity (APEP) **dialogue**, like the Indo-Pacific Economic Framework for Prosperity (IPEF), **offers little** in the way of market concessions. The Americas Act proposed by Congress to promote trade within the region is **heavily conditional** on how Latin American countries deal with China. They are unlikely to respond.

. . . And Constraints within Latin America

Even if the constraints on U.S. policy were not so evident, realities in Latin America are also contributing to cooling ties.

Heads of state threatening to boycott last year's Summit of the Americas hosted by a U.S. president personally committed to working with the region was seen as an affront by many in Washington. The signal being sent was a pointed one, rejecting unilateralism by the United States. Among the countries whose heads of state did not appear were Mexico and Central American nations heavily dependent on U.S. trade and remittances.

Mexico, which during the pandemic emerged as a key supply chain relationship for the United States, has yet to fully grasp the historic opportunity to deepen ties as made clear in a **recent** CSIS report on the country. There are tensions over **law enforcement** cooperation, **energy policy**, and trade. President López Obrador has blamed the United States for the **fentanyl crisis** and immigrant deaths, and has accused the country of **intervening in** domestic Mexican politics. Rhetoric by U.S. politicians **suggesting** military intervention in Mexico to combat the fentanyl epidemic does not help. While U.S. ties with Mexico remain strong, the strains are clear.

In Central America, U.S. policy has sought to strengthen governance in Guatemala, El Salvador, and Honduras, as well as to pressure Nicaragua's dictatorship to change course. U.S. sanctions, restrictions on aid, and targeting of corrupt officials, however, have had little impact. In sharp contrast with the past, these governments have chosen to continue going their own way.

The hopes that the election of President Lula in Brazil would lead to a strengthening of ties with Washington after the contentious Bolsonaro presidency has morphed into tensions over Lula's **comments suggesting** the United States was helping fan the war in Ukraine; this is complicated by a major visit to China where Lula made a point **of stopping by** Huawei installations and by Brazil's support for the **de-dollarization** of the world economy. While the relationship remains strong, helped by U.S. support for Brazil's accession to the Organization for Economic Cooperation and Development and the granting of major non-NATO partner status during the Bolsonaro presidency, the early optimism is less in evidence. A recent Brookings **study** suggests both countries may need to adjust as Brazil pursues a more global and nonaligned role.

More widely within the region, the long-standing **doctrine of** noninterference in other countries' internal affairs has been revived. Most countries **have restored** full diplomatic ties with Caracas, reversing the historic decision by key Latin American governments to reject the legitimacy of Maduro's fraudulent 2018 presidential election. Pressure on Maduro to commit to a democratic transition has lessened. There is no action to censure Daniel Ortega in Nicaragua, the worst abuser of human rights in the hemisphere (although Mexico at one point seemed **ready to freeze** ties with Peru over Castillo's constitutional removal). Some Latin American presidents **advocate for** replacing the Organization of American States, which they see as beholden to the United States.

Notwithstanding Russia's invasion of Ukraine, Latin America—like other regions in the world—**is not looking** to take sides. No country in the region outside Moscow's allies in Nicaragua, Cuba, and Venezuela supports Russia, **but like** India, Turkey, the Gulf states, and other U.S. partners, Latin

American countries are not imposing sanctions or passing on economic opportunities that benefit them. If anything, the current international landscape is accentuating the region's transactional response to global events.

Conclusion

In closing, it is difficult to offer thoughts on how the United States and Latin America can overcome many of these challenges to closer ties in the near term. It would be disingenuous to do so. As the Summit of the Americas made clear, there is widespread recognition of what needs to be done. Without a greater policy and resource commitment from both sides, however, it is unlikely that either the United States or the region can swiftly change course to a more strategic relationship.

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This is a far cry from where Washington could be with Latin America; then again, it has been at this juncture before and found a way to rebuild. The difference this time is that a changing global geopolitical landscape may make it more difficult to convince governments in the hemisphere that a revitalized strong relationship with the United States remains in their interest. On the evidence so far, it will be a heavy lift. ■

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This report was made possible by general support to CSIS. No direct sponsorship contributed to this report.

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